

Metro

***Human Resources
Benchmarks and Opportunities***

July 1999

A Report by the Office of the Auditor



METRO

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Metro Auditor**

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METRO
Office of the Auditor

July 8, 1999

To the Metro Council and Executive Officer:

We reviewed how Metro's human resources (HR) functions compare or "benchmark" against the HR functions at more than 100 private and public organizations. We identified top performers and looked at the activities that contributed to their standing.

Overall Metro's HR functions are essentially lean and efficient. However, HR staff turnover is high and Metro's number of job grades and titles is high.

This report identifies several areas for improvement and makes specific recommendations for improving Metro's HR processes. These include working with unions to manage the high number of grades and titles, extending union contract periods, creating an internal HR Department evaluation team and reducing the HR clerical load. Metro's HR function could also provide more tangible, integral benefits if Metro adopts a more cohesive and strategic approach to the overall management of its diverse operations and invests in HR decision support activities.

We reviewed a draft of this report with the Executive Officer. The last section of this report presents his written response.

We appreciate the cooperation and assistance provided by Metro staff as we conducted this review, particularly the staff from the Human Resources Department.

Very truly yours,

Alexis Dow, CPA
Metro Auditor

Auditor: Joe Gibbons

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Executive Summary

This report describes how Metro's human resources (HR) functions compare or "benchmark" against the HR functions of more than 100 other organizations.

Benchmarking shows that most of Metro's HR functions are very lean, indicating that HR very efficiently performs its existing role. This leanness also suggests that HR lacks resources to support Metro's strategic activities.

Metro's existing HR operation is lean and efficient. Total HR cost per employee is about one-third of the average, and overhead and hiring costs are lower than average and top-ranked organizations. Yet, HR staff turnover is high and Metro's number of job grades and titles is high.

Some practices that may help Metro enhance its HR functions under the existing organizational structure include:

- Working with unions to reduce the high number of job grades and titles and to extend union contract periods.
- Creating an internal team that periodically evaluates HR function performance, effectiveness and opportunities for improvements.

Metro's HR function could provide more tangible benefits to Metro if it were involved in more strategic activities. HR staff could be more active in training staff, developing management skills, fostering productivity and motivating employees to adapt to ever changing environments. HR functions can be critical in a strategically aligned organization because HR closely relates to where management wants to go, how it will get there and the extent to which employees play a role. Presently, Metro's HR professionals are spread too thin to play an active role in what could be a more strategically oriented agency and HR function.

Metro is not the precise equivalent of the organizations in the benchmarking database. However, the study employed well-defined data collection procedures to ensure consistency and allow reasonable comparisons.

Metro budgeted slightly more than \$1 million for HR related activities in 1998. Approximately 14 staff are dedicated to these functions.

Specific recommendations for Metro are detailed in the following section.

Recommendations

We identified several ways for Metro to improve its HR processes, primarily through application of best practices. Following are our recommendations.

- 1. Evaluate reasons for and alternatives to Metro's large number of job grades and titles. This process should include identifying ways to incorporate the large number of current positions under fewer titles and grades. We suggest working with Metro's unions on the issue, emphasizing benefits of improved efficiencies and effectiveness through streamlined processes. We also recommend working with unions to establish longer-term collective bargaining agreements.**

Metro has significantly more job grades and titles than average organizations. Higher numbers of job grades and titles require additional resources to manage and handle processing requirements. The most readily apparent reasons for Metro's high numbers relate to the job grades and titles associated with Metro's six unions, two distinct entities (Metro and MERC) and various specialized departments. HR consultants and others in the field affirmed the difficulties involved in addressing these issues. Based on considerable experience, they believe one potential solution involves working through collective bargaining agreements to emphasize the mutual benefits of fewer job titles and grades and longer-term labor agreements. A longer contract period equates to more stability and less negotiation effort for all parties.

- 2. Establish an internal HR improvement team to periodically evaluate HR Department performance, effectiveness and opportunities for improvements.**

The team should be composed of HR and personnel from other divisions knowledgeable about HR. Metro should consider using a HR consultant to help form the team and identify steps that can lead to improvements. The team's activities should address various HR issues, such as whether:

- enhanced HR systems applications are cost effective.
- certain HR functions should be outsourced.
- certain administrative activities can be curtailed or eliminated.
- the HR function has sufficient resources to fully meet its responsibilities.
- HR staff turnover can be reduced.

3. Identify and evaluate options that would reduce the HR Department administrative burden. Such options may include, among others, outsourcing, increasing the use of technology and changing staff mix.

The benchmark study highlighted the relatively high amount of HR resources dedicated to administrative activities such as employee record updates and acknowledging all job applications received. HR professionals perform some of this administrative work, displacing potentially more valuable use of their time. The study also disclosed Metro's low use of outsourcing and systems-related tools, both of which might help alleviate some of the administrative burden.

Metro performs a number of HR-related administrative tasks in-house that some organizations outsource. Vendors who specialize in a particular area, such as benefits administration and payroll, offer expertise and efficiency through economies of scale. Best of class organizations outsource some administrative tasks, such as managing benefit plans, compensation administration and employee data. These actions often lead to reduced expenses.

Best of class organizations tend to invest in HR-specific systems applications that lead to improved operations. Such systems may include "employee self-service" for many HR functions, such as changes in benefits, dependents and addresses. With enhanced systems applications, HR staff can be freed up for higher-level, more productive work. Enhanced systems may not be cost-effective in all organizations and individual applications should be evaluated from a cost/benefit perspective.

Best of class organizations also periodically evaluate processes and activities, seeking ways to make things run more smoothly to provide better service and to deploy resources in the most advantageous manner.

4. Emphasize the HR Department as a strategic partner in areas such as organizational structure, staff development and team development.

Currently Metro operates as a diverse, decentralized organization with many departments, each having a specialized mission. This structure uses HR as a purely administrative function. Metro's HR Department admirably fulfills

this role. However, best of class organizations have HR staff who focus on strategic results and serve as consultants to the organization's "customers."

Strategically focused HR staff help their internal customers become more effective by: (1) improving organizational structure; (2) developing teams; and (3) designing and developing strategies to position staff resources to meet future demands. They support operating departments in areas such as developing staffing goals and strategies, providing training, identifying better ways to attract and retain staff and identifying skills within the organization that can be better used and will add to employee development.

Presently Metro's HR professionals are spread too thin to play a proactive role in what could be a more strategically oriented agency and HR function.

Analysis of Key Benchmarking Indicators

The Hackett Group's report on Metro's HR processes presents 58 tables of comparisons between Metro and more than 100 other organizations. Their report appears in Appendix A. Information on The Hackett Group (THG) and benchmarking processes is described in the Background section of this report. With the assistance of HR Department managers and staff, we selected the most significant processes for presentation in this chapter.

Favorable Benchmarking Comparisons

Average wage rates	Benchmark 1
HR overhead cost	Benchmark 2
Employee selection cost and hiring statistics	Benchmark 3
Injury claims filed	Benchmark 4

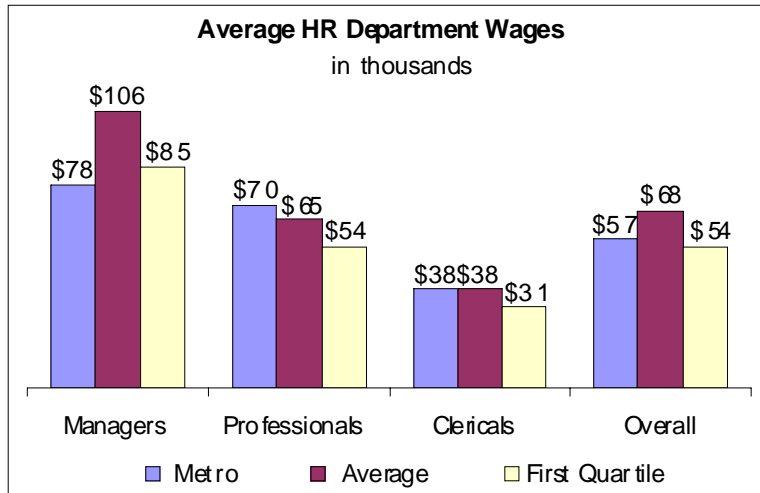
Benchmarking Comparisons Indicating Need for Improvements

Total HR cost and time allocation	Benchmark 5
HR decision support cost	Benchmark 6
HR staff mix	Benchmark 7
HR Department turnover rate	Benchmark 8
Job grades, titles and unions	Benchmark 9

Many of the comparisons summarized in this chapter show that Metro has opportunities to make some of its processes, procedures and functions more effective and efficient through use of selected best practices.

Some repetition occurs in our observations and discussion of best practices because many of the benchmarks involve similar or overlapping issues.

1 Average Wage Rates by HR Job Category



Metro's overall HR wage rates approach those of top performers.

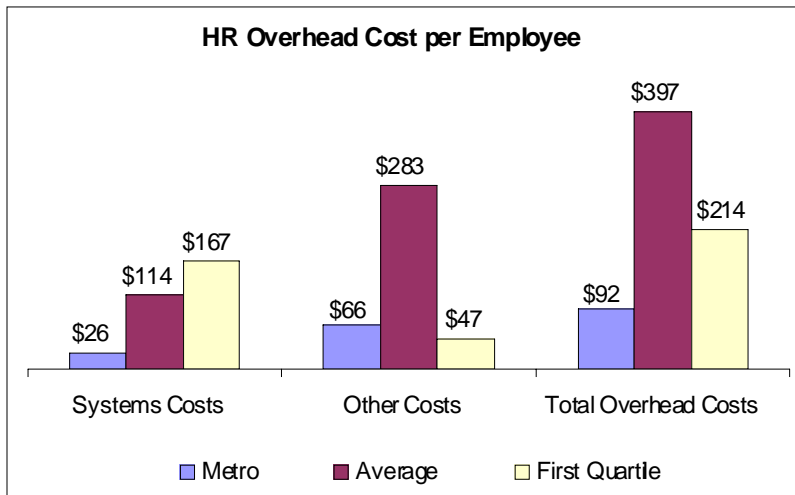
Explanation

- **Managers** perform oversight, planning, administrative and personnel functions, and include any person who supervises staff.
- **Professionals** perform analytical and technical functions requiring a high degree of skill and include persons with a management title but no supporting staff.
- Wage rates are "fully loaded" to include salaries and all benefits, such as Metro's PERS contributions, that total 33.5 percent of employee salary.

Benchmark observations

- Most HR organizations have a mix of junior and senior professionals. Because Metro's HR staffing level is small, its HR professionals are concentrated at the more experienced senior level.
- Metro HR has a larger percentage of clerical staff than average and first quartile organizations, which contributes to the overall lower wage rate.

2 HR Overhead Cost per Employee



Metro's HR overhead cost per employee is extremely low.

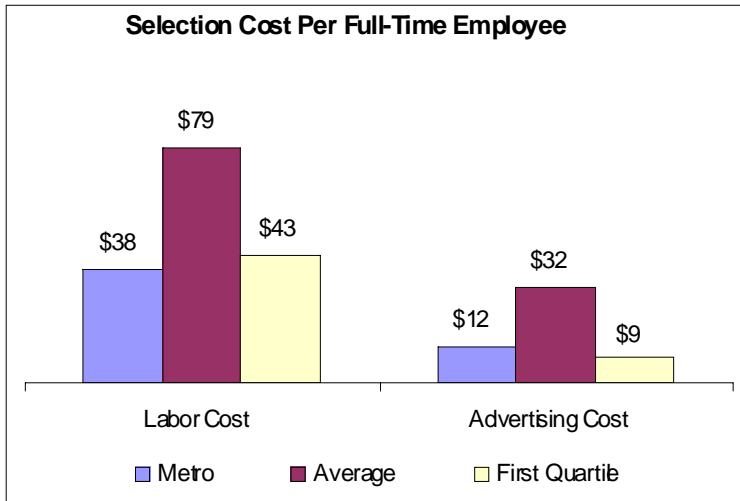
Explanation

- **Systems costs** are the expenses of providing computer processing, including software, hardware and management information services for HR processes. PeopleSoft is Metro's primary systems application.
- **Other costs** are all remaining non-personnel expenses, including facilities, training and travel expenses.

Benchmark Observations

- Low use of HR-specific systems applications contributes to Metro's low overhead costs. Examples of such technology include upgraded HR-specific PeopleSoft applications and employee self-service applications for HR purposes. Such technologies may be expensive, but they can also be cost-effective, efficient and provide more timely service.
- According to THG, average and first quartile organizations have higher other overhead costs primarily due to newer and more expensive facilities. Average organizations also spend more on travel and training.

3 Employee Selection Cost and Hiring Statistics



Metro has high volume and low cost associated with hiring new employees.

Hiring Statistics			
	<u>Metro</u>	<u>Average</u>	<u>First Quartile</u>
Applications per placement	17	11	6
Number of placements per 1000 employees	175	167	89
Source of placements			
Internal	27%	35%	39%
External	73%	65%	61%
Two-year retention rate	89%	78%	89%

Explanation

- Employee selection costs are incurred solely by HR Department staff and exclude costs incurred by other departments or business units. Employee selection costs are those costs associated with hiring new employees.

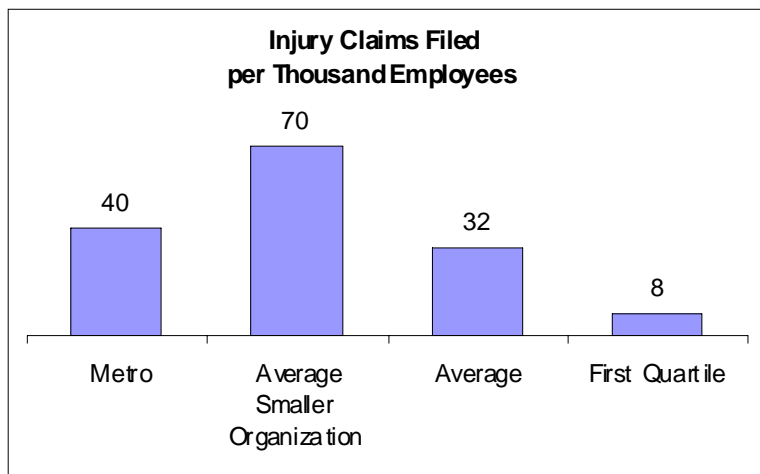
Benchmark Observations

- For its small size, Metro has a large number of job applicants. This is largely due to Metro’s year-round/open-season hiring for many part-time and temporary positions, primarily for MERC, the zoo and parks.
- Metro’s HR Department processes three times more applications per hire and places twice as many applicants per thousand employees than first quartile organizations.
- For the benchmark period, Metro had 589 fulltime employees and 1,797 total employees. THG believes this low percentage of full-time employees is not

found in most organizations within its benchmarking database. This probably contributes to the higher number of placements per 1000 employees and the higher percentage of external hires.

- Metro's ability to retain hires for at least two years is comparable to top performing organizations.
- Metro policy is to advertise position openings in a variety of publications and locations, and to manage and answer all responses.
- Metro may have achieved an "economy of scale" in accepting and processing applications due to its relatively small size.

4 Injury Claims Filed per Thousand Employees



Metro has a relatively favorable rate of injury claims.

Explanation

- This benchmark measures total work-related employee injury claims filed in fiscal 1998. Some claims led to lost-time and disability injury claims.

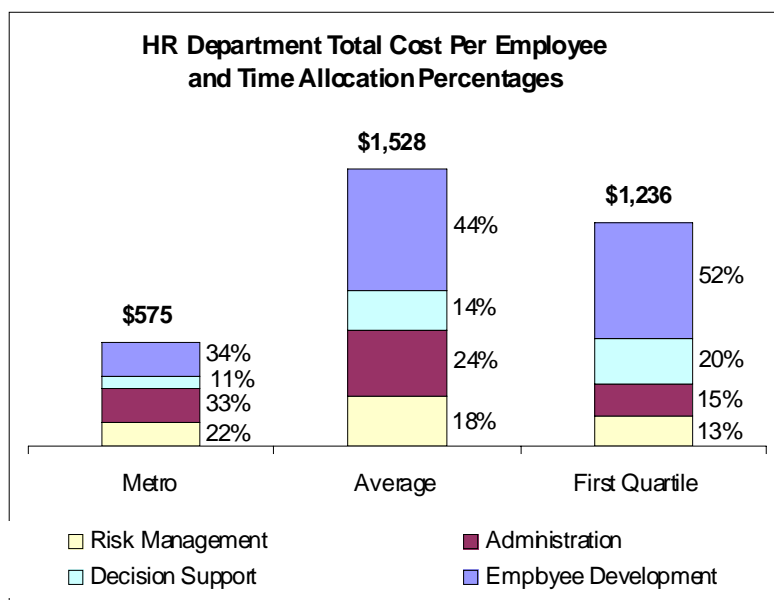
Benchmark Observations

- Average “smaller” organizations (less than 10,000 employees) experience 70 injury claims per thousand employees, which is higher than Metro.
- Metro’s number of lost-time injury claims compares very favorably at 7.3 per 1,000. In Oregon, the statewide rate is 18.0 per thousand employees, 10.0 for state government employees and 14.0 for local government employees.

Best Practices That Can Further Close the Benchmarking Gap

- Analyze injury claims to identify factors contributing to the claims, types of injuries most often claimed and types of employees (i.e. full time, part-time, specific job positions) who file claims. Determine if trends exist. If so, establish or enhance training for groups or individuals identified as high risk and take other action to mitigate risk.
- Arrange formalized training and awareness programs to enhance safety.
- Develop an internal HR improvement team to periodically evaluate HR Department performance and effectiveness and identify opportunities for improvements.

5 Total HR Cost and Time Allocation



Metro dedicates significantly fewer resources to strategic processes that include decision support and employee development.

Explanation

- This benchmark measures total HR expenditures per employee and HR Department staff time devoted to four HR functions.

Benchmark Observations

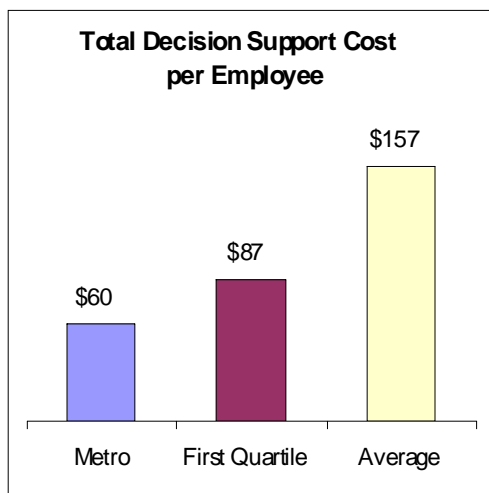
- Metro HR's overall cost is relatively low, suggesting potentially under-funded HR processes.
- Metro's HR resources dedicated to total HR administration approximate those of first quartile organizations, with the exception of administering savings plans.
- Savings (401K) plan administration costs are borne by the plan itself in many organizations. Metro absorbs this cost under the terms of its labor agreements.
- Metro HR resources supporting decisions and developing employees are only 25-30% of those used by both average and first quartile organizations.
- Metro's individual departments manage some HR-related functions, such as employee technical training, and a separate department handles risk management.
- The HR Department has taken some positive steps in the past two years to enhance its employee development and risk management functions. For example, the HR Department is working toward:

- Establishing a core training curriculum for Metro/MERC employees that addresses such issues as sexual harassment, valuing diversity and equal employment opportunity-related subjects
- Implementing a performance evaluation program for managers and supervisors.
- Metro HR staff performs a number of administrative tasks in-house that some organizations outsource, such as managing benefit plans, compensation administration and employee data.
- Metro HR staff perform a number of administrative tasks that can be accomplished using technology. For example:
 - HR staff input all employee data and changes to employee files. Employee self-service applications enable employees to enter their changes in benefits choices, dependents and addresses.
 - HR staff provide employees printed copies of HR related material, such as policy statements and personnel rules. Much of this data is available on Metro's computer network.

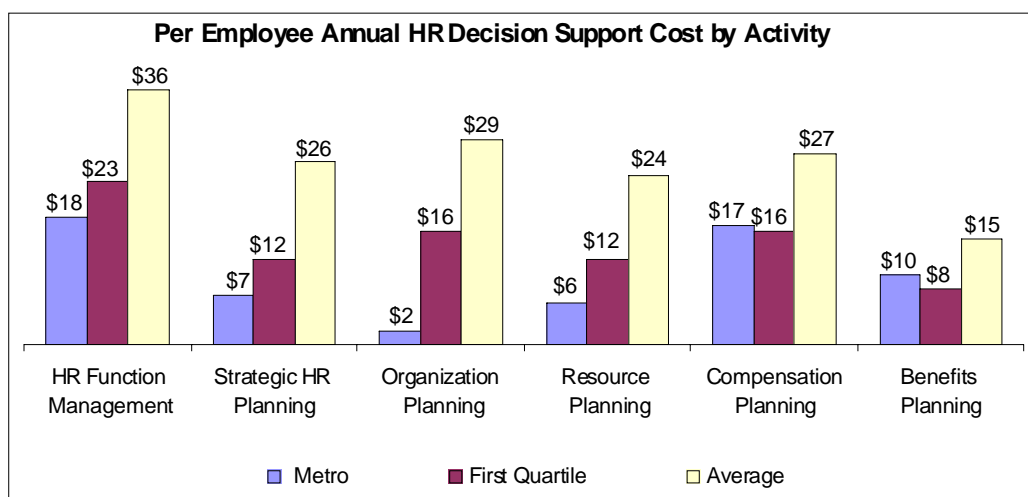
Best Practices That Can Close the Benchmarking Gap

- Outsource less critical administrative tasks, such as managing benefit plans, compensation administration, and employee data. Third parties who specialize in a particular area, such as administering benefits or payroll, offer HR managers expertise and cost efficiency through economies of scale.
- Invest in HR-specific systems applications that lead to improved operations. Some systems offer employee self-service for many HR functions, such as changes in benefits, dependents and addresses. HR staff are then freed up for higher-level work.
- Encourage use of existing network capabilities instead of printing copies of HR documents.
- Develop an internal HR improvement team to periodically evaluate HR Department performance, effectiveness and opportunities for improvements.
- Invest additional resources in HR activities that focus on strategic functions such as employee development and decision support.

6 HR Decision Support Cost per Employee



Metro's decision support cost per employee is lower than both first quartile and average organizations – in total and in potentially important areas.



Explanation

- **HR function management** is all activity related to setting up HR policies and procedures as well as general administration and personnel management.
- **Strategic HR planning** is all activity related to determining organizational and departmental HR goals and developing strategies to attain those goals. This proactive function helps management determine:
 - the current and future labor market for needed skills.
 - personnel management changes that will be needed.
 - new skills that will be needed within the organization.
 - recruiting techniques which are effective.
 - effective methods to attract and retain employees.

- **Organizational planning** is all activity related to designing the organization's structure and determining efforts needed to support changes in the structure.
- **Resource planning** is planning hourly, salaried and executive resources to support the organization's strategic objectives, including designing strategies to recruit and retain the highest quality workforce consistent with the organization's defined mission and goals.
- **Compensation planning** involves determining hourly, salaried and executive compensation.
- **Benefits planning** is determining employment benefit plans in accordance with the organization's defined direction, as well as legal and contracted obligations.

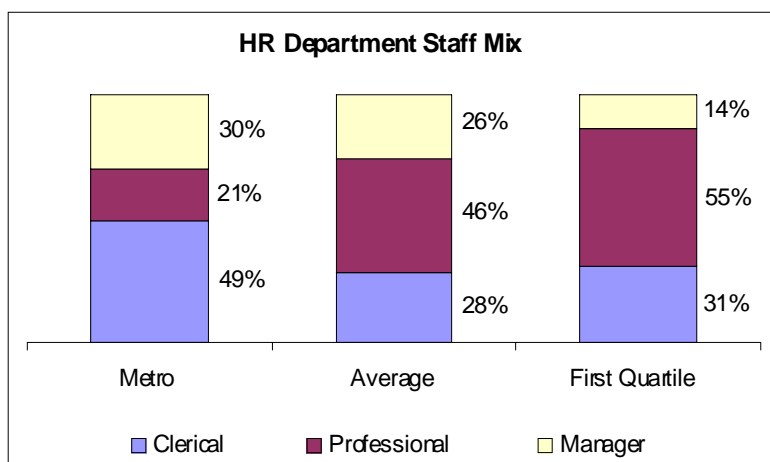
Benchmark Observations

- Decision support cost per employee is lower than first quartile and average organizations in important categories, such as strategic planning, organization planning and resource planning.
- Metro's HR Department completed two classification and compensation studies during the benchmark period, leading to possibly higher than usual compensation planning cost for the year.
- Public sector compensation planning costs are lower because there is no need to develop complex executive compensation programs involving such features as stock options and performance bonuses.
- Metro's diverse, decentralized and mission-oriented organization structure appears to preclude the need for extensive investment in HR professionals who provide HR decision support.

Best Practices That Can Close the Benchmarking Gap

- Develop an internal HR improvement team to periodically evaluate HR Department performance, effectiveness and opportunities for improvements.
- Invest additional resources in HR activities that focus on strategic functions such as employee development and decision support.

7 HR Staff Mix



Metro's HR Department dedicates a relatively large percent of its resources to clerical rather than strategic functions.

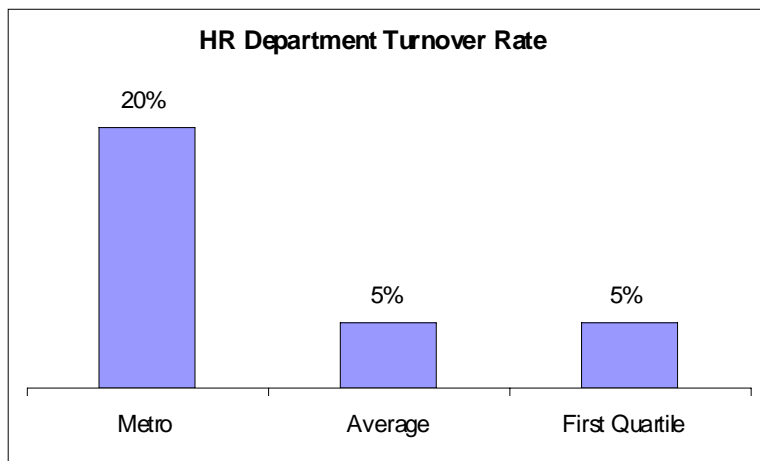
Benchmark Observations

- Metro's HR Department has a large percentage of clerical staff.
- Metro's HR professionals are often involved in administrative work, such as reclassifications, investigations, government compliance activities and creating reports.

Best Practices That Can Close the Benchmarking Gap

- Outsource less critical administrative tasks, such as managing benefit plans and employee data. Vendors who specialize in a particular area, such as benefits administration or payroll, offer HR managers expertise and efficiency through economies of scale.
- Invest in HR-specific systems applications that lead to greater efficiency. Some systems offer employee self-service for many HR functions, such as changes in benefits choices, dependents and addresses. HR staff are then freed up for higher-level work.
- Use HR generalists for analytical and technical functions, including supporting operating departments in areas such as staffing goals and strategies, training, identifying ways to more effectively attract and retain staff, and identifying skills within the organization that can be better utilized and add to employee development.
- Develop an internal HR improvement team to periodically evaluate HR function performance, effectiveness and opportunities for improvements, including adequacy and appropriateness of staffing.

8 HR Department Turnover Rate



Metro's HR Department experienced high turnover during the benchmark period.

Explanation

- This benchmark measures the turnover rate in HR departments in fiscal 1998.

Benchmark Observations

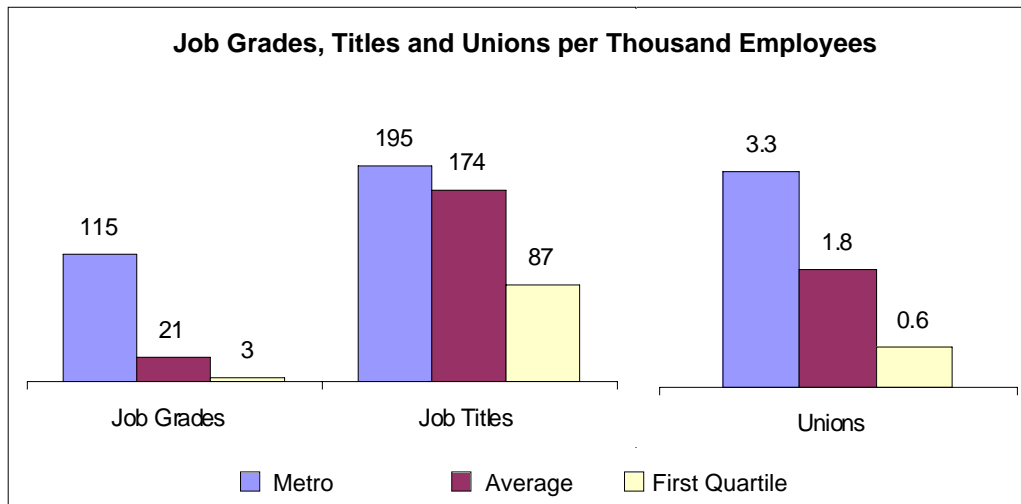
- After investing in employee hiring and development, turnover is expensive.
- Since Metro's HR Department is relatively small, a low number of staff departures can result in a high turnover percentage.
- Factors that may contribute to the high turnover rate include staff need for more challenging professional opportunities, more sense of accomplishment, better opportunities to advance, reduced administrative demands, better pay, etc.

Best Practices That Can Close the Benchmarking Gap

- Develop an internal HR improvement team to periodically evaluate HR Department performance, effectiveness and opportunities for improvements, including identifying which HR Department positions tend to have high turnover, factors contributing to turnover and whether action can be taken to retain employees.

9 Job Grades, Titles and Unions

Metro's numbers of job grades, titles and unions are very high.



Benchmark Observations

- Metro's ratio of job grades and titles to total employees is high.
- The difference between Metro and other organizations indicates a combination of factors relating to Metro's six unions and non-union structure, two distinct organizations (Metro and MERC) and various specialized but decentralized departments.
- Thirty-one percent of Metro's 1,798 employees belong to a union.
- The public sector usually has less flexibility in compensation arrangements, and government pay rates are often lower than private sector. Accordingly, government managers sometimes "create" new positions, grades and titles to justify salary and staffing increases.
- Additionally, collective bargaining agreements may lead to more job grades and titles. Labor contracts essentially "codify" the new and growing numbers of grades and titles.
- Five unions at Metro have 3-year contract periods; one has a 4-year period.

Best Practices That Can Close the Benchmarking Gap

- Streamline operations through "flattening" and incorporating more positions under fewer titles and grades.
- Proactively work with unions, emphasizing benefits of potentially improved efficiencies and effectiveness resulting from fewer grades and titles.
- Work with unions to implement longer contract periods, running five or more years. A longer contract period equates to more stability and less negotiation effort.

Background

This report presents benchmarking comparisons of Metro's HR processes against processes in HR departments at over 100 private and public organizations.

Although some of Metro's benchmarked HR processes compare favorably, other benchmarked processes suggest that Metro has opportunities to adapt and apply best practices from other organizations. We base our analysis on benchmarking research that our contractor, The Hackett Group (THG), has conducted since 1991.

Benchmarking - A Diagnostic Tool

Benchmarking is an analysis of comparative data that can lead to insights that promote positive change. It is the discovery of specific practices responsible for high performance and understanding how these practices work. It is not a complex or highly conceptual method of improving operational effectiveness and efficiency. Rather, benchmarking is a management tool that works.

Benchmarking began in the private sector where businesses learned that they did not have to create new approaches to change their operations to improve profits. They found that they could realize more significant and pragmatic operational improvements by taking aspects of more effective operations and modifying practices for their operations.

Benchmarking in the Public Sector

In recent years, numerous government benchmarking experiences demonstrate that it is an effective way of doing business in environments that are becoming more results-oriented. For example, federal agencies have made significant operational improvements through their implementation of the Government Performance and Results Act. At the state level, the Oregon Legislature passed a government efficiency bill that set expectations for benchmarks and performance measures. Agencies have reported significant operational improvements as a result of such measurements. Benchmarking in the public sector has led to (1) working smarter toward effective results; (2) building on the work, experience, failures and successes of others; and (3) enhancing agency accountability and public trust.

The Hackett Group (THG)

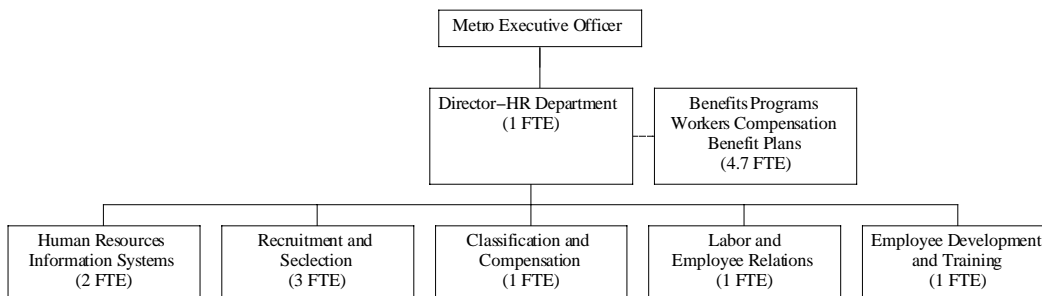
We performed our benchmarking survey through a contract with consultants at The Hackett Group, a widely recognized management consulting firm that specializes in benchmarking. THG’s benchmarking studies have helped more than 1,300 organizations evaluate their operational efficiency and effectiveness, identify and adapt better approaches and implement positive change.

According to THG, it has the world’s most comprehensive benchmarking database of organizations’ key processes. THG’s database represents a variety of organizations in private and public sectors in the production and services fields. The organizations against which we benchmarked Metro range in size from \$200 million to nearly \$43 billion in annual revenue, with HR department staffs as small as 11 and as large as 1,300. Although Metro is one of the smaller organizations, THG’s benchmarking methodologies provide many comparisons that are relevant and applicable.

We present THG’s summary benchmarking report on Metro’s HR processes and our annotated comments in Appendix A.

Metro’s Human Resources Department

Metro’s HR Department supports Metro and MERC in the following areas: recruitment and selection, labor and employee relations, employee development and training, classification and compensation and HR information systems. The following illustration depicts the current organization of the HR Department. Other departments at Metro manage benefits programs, workers compensation, pension plans and health and welfare plans. These other functions are included in the benchmarking study because they are HR related activities.



Metro budgeted about \$1,033,000 for HR related activities in 1998.

Objectives, Scope and Methodology

We conducted this work to determine how Metro's HR processes compare against a broad range of over 100 public and private organizations. Our objectives were to determine:

- (1) the relative efficiency and effectiveness of Metro's HR functions.
- (2) where "benchmarking gaps" exist. A benchmarking gap is the relative difference in performance, efficiency or effectiveness between a specific Metro HR activity and others in the database.
- (3) where opportunities exist to narrow the benchmarking gap and enhance Metro's HR processes.

We worked with Metro's HR Department and THG in a multi-step benchmarking process. Our work included:

- attending THG's orientation and training meeting where THG consultants elaborated on HR process definitions and their questionnaire that asked 453 detailed questions on 21 HR processes for fiscal 1998.
- working with HR Department staff to collect data and complete the questionnaire.
- refining data on the completed questionnaire and verifying its accuracy and consistency.
- conferring with THG consultants on findings and implications of Metro's HR benchmarking.
- analyzing the implications of benchmarking gaps between Metro and other HR departments.

We worked with the HR Department to refine data presented in this report. In addition, we reviewed a 1991 performance audit of Metro's HR processes. Metro implemented most of the recommendations from that audit.

We recognize that Metro is not "typical" of the more than 100 HR departments benchmarked by THG, especially considering its small size and government environment. THG's precise definitions and data gathering processes helped create comparability in spite of organizational differences within the database. Our consistent use of THG's methodologies enabled us to compare Metro's HR processes to similar processes of other organizations, regardless of size or type of industry.

Our benchmarking study collected data across the following four broad HR categories and 21 HR processes.

Administration

- Health and Welfare Plans
- Pension Plans
- Savings Plans
- Compensation Administration
- Employee Data Management

Employee Development

- Employee Selection
- Training and Development
- Termination and Retirement
- Employee Relations

Decision Support

- Compensation Planning
- Benefits Planning
- Resource Planning
- Organization Planning
- Strategic HR Planning
- HR Management

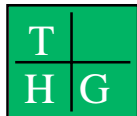
Risk Management

- Labor Relations
- Employee Absence Management
- Supplier Management
- Government Compliance
- Benefits Program Cost Management
- Internal Compliance and Audit

We performed our work between July 1998 and May 1999 in accordance with generally accepted auditing standards.

Appendix A

Annotated THG Benchmark Report on Metro's HR Functions



Metro Regional Government

Baseline

Item	1	<u>Annual Total Human Resources Cost</u>	(\$ Millions)	
		Systems Cost	\$46,190	4%
		Outsourcing Cost	\$90,486	10%
		Labor Cost	\$777,549	75%
		Other Cost	\$118,283	11%
		Total Annual HR Cost	\$1,032,508	
		-- "Systems Costs" include the costs include the hardware and software costs associated with HR functions.		
		-- "Outsourcing Costs" are all external costs associated with the delivery of HR processes and services.		
		-- "Labor Costs" include all compensation and fringe benefits for HR Department employees.		
		-- "Other Costs" are all remaining HR-related expenses, including supplies, postage, training and travel.		
Item	2	<u>Annual HR Cost Per Metro Employee</u>		
		Systems Cost	\$26	4%
		Outsourcing Cost	\$50	10%
		Labor Cost	\$433	75%
		Other Cost	\$66	11%
		Total HR Cost Per Employee	\$575	
		Total Number Of Employees	1,797	
		-- The number of employees for most calculations represents all full-time, part-time and temporary/seasonal Metro employees, including those at MERC facilities, for whom HR processed documents in FY 1997-1998.		
Item	3	<u>Annual Labor Cost Per Employee</u>		
		Decision Support	\$53	12%
		Employee Development	\$155	36%
		Risk Management	\$98	23%
		Administration	\$127	29%
		Total Annual Labor Cost	\$433	
		-- Decision Support includes HR activities on Employee Selection, Compensation Planning, Resource Planning, Benefits Planning, Organization Planning, Strategic HR Planning, and HR Management.		
		-- Employee Development includes HR activities on Employee Selection, Training and Development, Termination and Retirement, and Employee Relations.		
		-- Risk Management includes HR activities on Labor Relations, Employee Absence Management, Supplier Management, Government Compliance, Benefits Programs Cost Management, and Internal Compliance/Audit.		
		-- Administration includes HR activities on Health and Welfare Plans, Pension and Savings Plans, Compensation Administration, and Employee Data Management.		

Item 4	<u>Annual Outsourcing Cost Per Employee</u>		
	Decision Support	\$0	0%
	Employee Development	\$13	25%
	Risk Management	\$14	27%
	Administration	\$24	47%
	Total Annual Outsourcing Cost	\$51	

Item 5	<u>Annual Overhead Cost Per Employee</u>	
	Systems Costs	\$26
	Other Costs	\$66
	Total Annual Overhead Cost	\$92

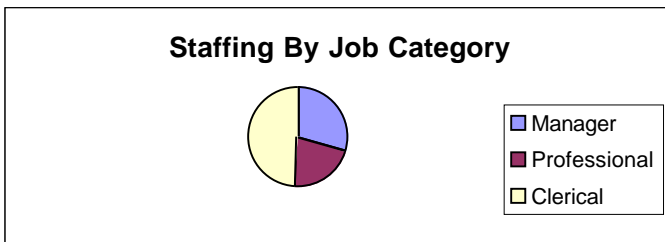
Item 6	<u>Total Human Resources FTEs</u>		
	Decision Support	1.5	11%
	Employee Development	4.6	34%
	Risk Management	3.0	22%
	Administration	4.6	33%
	Total FTEs	13.7	

Item 7	<u>Human Resources FTEs Per Thousand Employees</u>	
	Decision Support	0.8
	Employee Development	2.6
	Risk Management	1.7
	Administration	2.6
	Total FTEs Per Thousand Employees	7.7

Item 8	<u>Human Resources FTE Time Allocation</u>	
	Decision Support	11%
	Employee Development	34%
	Risk Management	22%
	Administration	33%

-- See report Benchmark 5 for discussion.

Item 9	<u>Total Staffing By Job Category</u>	FTEs	Percentage
	Manager	4.1	30%
	Professional	2.9	21%
	Clerical	6.7	49%
	Total Staffing By Job Category	13.7	100%



Item	10	<u>Average Wage Rates By Job Category</u>	Rate (\$000)
		Manager	\$78
		Professional	\$70
		Clerical	\$38
		Overall	\$57

Item	11	<u>Average Wage Rates By Process Category</u>	Rate (\$000)
		Administration	\$50
		Risk Management	\$58
		Employee Development	\$61
		Decision Support	\$63

Item	12	<u>Number Of Systems</u>	Systems
		Administration	1
		Risk Management	1
		Employee Development	1
		Decision Support	1
		Total	4

Item	13	<u>Volume Comparisons</u>	
		New Hires Per Thousand EEs	175
		Internal Placements Per Thousand EEs	47
		External Hires Per Thousand EEs	128
		Job Titles Per Thousand EEs	195
		Records Per Employee	3
		Resumes/Applications Per Placement	17

Item	14	<u>Education, Experience, Turnover</u>	
		Advanced Degrees	
		Managers	0%
		Professionals	50%
		Turnover Rate	20%
		Experience (Years)	15

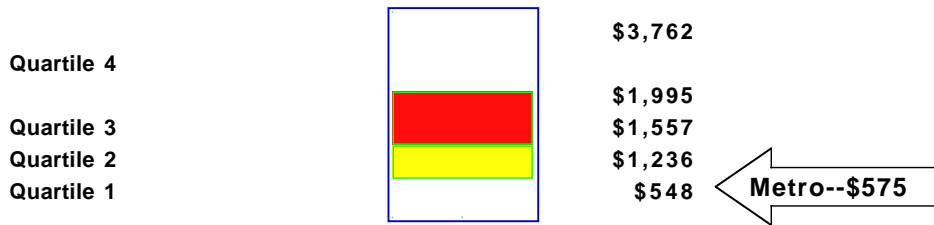
-- Per THG's definition, advanced degrees are those that are HR-specific. Metro HR staff hold advanced degrees in other disciplines, such as law and education, which are not reflected here.

Benchmark Comparisons

Item	15	<u>Annual HR Cost Per Employee</u>	Metro	Average	1st Quartile
			\$575	\$1,528	\$1,236

-- See report Benchmark 5 for discussion.

Item 16 Annual Cost Per Employee Human Resources Cost--By Quartile



-- See report Benchmark 5 for discussion.

Item 17 Annual HR Dept. Cost Per Employee

	Metro		Average		1st Quartile	
Other Cost	\$66	11%	\$283	19%	\$111	9%
Systems Cost	\$26	4%	\$114	7%	\$148	12%
Outsourcing Cost	\$50	10%	\$373	24%	\$371	30%
Labor Cost	\$433	75%	\$758	50%	\$606	49%
Total HR Cost Per Employee	\$575		\$1,528		\$1,236	

-- See report Benchmark 5 for discussion.

Item 18 Annual Labor Cost Per Employee

	Metro		Average		1st Quartile	
Decision Support	\$53	12%	\$149	20%	\$86	19%
Employee Development	\$155	36%	\$310	41%	\$184	40%
Risk Management	\$98	23%	\$148	20%	\$76	17%
Administration	\$127	29%	\$151	20%	\$113	24%
Total Annual Labor Cost Per Employee	\$433		\$758		\$459	

Item 19 Annual Outsourcing Cost Per Employee

	Metro		Average		1st Quartile	
Decision Support	\$0	0%	\$8	2%	\$1	1%
Employee Development	\$13	25%	\$96	26%	\$15	19%
Risk Management	\$14	27%	\$28	7%	\$2	2%
Administration	\$24	47%	\$241	65%	\$59	78%
Annual Outsourcing Cost Per EE	\$51		\$373		\$77	



Item 20 Annual Overhead Cost Per Employee

	Metro		Average		1st Quartile	
Other Costs	\$66	71%	\$283	71%	\$47	22%
Systems Costs	\$26	29%	\$114	29%	\$167	78%
Total Annual Overhead Cost	\$92		\$397		\$214	

-- See report Benchmark 2 for discussion.

Item 21 Total Human Resources FTEs Per Thousand Employees

	Metro		Average		1st Quartile
Decision Support	0.8		1.5		2.0
Employee Development	2.6		4.7		5.2
Risk Management	1.7		2.1		1.3
Administration	2.6		2.7		1.5
Total FTEs Per Thousand Employees	7.7		11.0		10.0

Item 22	<u>Human Resources FTE Time Allocation</u>	Metro		Average		1st Quartile
	Decision Support	11%		14%		20%
	Employee Development	34%		44%		52%
	Risk Management	22%		18%		13%
	Administration	33%		24%		15%
	-- See report Benchmark 5 for discussion.					
Item 23	<u>Human Resources FTE Staff Mix</u>	Metro		Average		1st Quartile
	Clerical	49%		28%		31%
	Professional	21%		46%		55%
	Manager	30%		26%		14%
	-- See report Benchmark 7 for discussion.					
Item 24	<u>Average Wage Rates By Job Category</u>	Metro		Average		1st Quartile
	HR Managers (\$000)	\$78		\$106		\$85
	HR Professionals (\$000)	\$70		\$65		\$54
	HR Clericals (\$000)	\$38		\$38		\$31
	Overall (\$000)	\$57		\$68		\$54
	-- See report Benchmark 1 for discussion.					
Item 25	<u>Average Wage Rates By Process Category</u>	Metro		Average		1st Quartile
	Administration (\$000)	\$50		\$56		\$40
	Risk Management (\$000)	\$58		\$69		\$57
	Employee Development (\$000)	\$61		\$65		\$54
	Decision Support (\$000)	\$63		\$95		\$80
Item 26	<u>Number Of Systems Per Thousand Employees</u>	Metro		Average		1st Quartile
	Administration	0.56	25%	2.8	31%	0.7 37%
	Risk Management	0.56	25%	2.5	28%	0.5 26%
	Employee Development	0.56	25%	2.4	26%	0.4 21%
	Decision Support	0.56	25%	1.4	15%	0.3 16%
	Total Systems Per Thousand Employees	2.23		9.1		2
Item 27	<u>Placements Per Thousand Employees</u>	Metro		Average		1st Quartile
	 New Hires Per Thousand EEs	175		167		89
	Internal Placements	47	27%	58	35%	35 39%
	External Hires	128	73%	109	65%	54 61%
	-- See report Benchmark 3 for discussion.					
Item 28	<u>Job Titles Per Thousand Employees</u>	Metro		Average		1st Quartile
		195		174		87
	-- See report Benchmark 9 for discussion.					
Item 29	<u>Discrete Records Per Employee</u>	Metro		Average		1st Quartile
		3		10		4

Item 30	<u>Resumes/Applications Per Placement</u>	Metro	Average	1st Quartile
		17	11	6

-- See report Benchmark 3 for discussion.

Item 31	<u>HR Department Advanced Degrees</u>	Metro	Average	1st Quartile
	Manager	0%	20%	33%
	Professional	50%	10%	12%

Item 32	<u>HR Department Experience (Years)</u>	Metro	Average	1st Quartile
		15	19	14

Item 33	<u>HR Department Turnover Rate</u>	Metro	Average	1st Quartile
		20%	5%	5%

-- See report Benchmark 8 for discussion.

Process Analysis

Item 34	<u>Annual Administration Cost Per Employee</u>	Metro	Average	1st Quartile
	Employee Data Management	\$26 10%	\$40 10%	\$18 10%
	Expatriate Administration	\$0	\$16 4%	\$3 2%
	Compensation Administration	\$36 14%	\$48 12%	\$28 16%
	Pension Plans Administration	\$27 10%	\$29 7%	\$16 9%
	Savings Plans Administration	\$87 33%	\$23 6%	\$10 6%
	Health & Welfare Plans Administration	\$86 33%	\$236 61%	\$97 57%
	Total Annual Administration Cost	\$262	\$392	\$172

Item 35	<u>Annual Compensation Administration Cost Per Employee</u>	Metro	Average	1st Quartile
		\$36	\$48	\$28

Item 36	<u>Compensation Administration FTEs Per Thousand Employee</u>	Metro	Average	1st Quartile
		0.7	0.7	0.4

Item 37	<u>Job Grades And Titles Per Thousand Employees</u>	Metro	Average	1st Quartile
	Job Grades Per 1,000 Employees	115	21	3
	Job Titles Per 1,000 Employees	195	174	87

-- See report Benchmark 9 for discussion.

Item 38	<u>Pay Adjustments Per Employee</u>	Metro	Average	1st Quartile
	Number of Pay Adjustments Per Employee	0.9	1.1	0.9

Item 39	<u>HR Data Management Cost Per Employee</u>	Metro		Average		1st Quartile	
		\$26		\$40		\$18	
Item 40	<u>Discrete Records Per Employee</u>	Metro		Average		1st Quartile	
		3		10		4	
Item 41	<u>Record Updates Per Employee</u>	Metro		Average		1st Quartile	
		2.6		4.1		2.0	
Item 42	<u>Annual Risk Management Cost Per Employee</u>	Metro		Average		1st Quartile	
	Internal Compliance And Audit	\$3	3%	\$10	6%	\$6	8%
	Benefits Programs Cost Management	\$4	4%	\$11	6%	\$5	6%
	Government Compliance	\$7	6%	\$32	18%	\$17	22%
	Supplier Management	\$11	10%	\$14	8%	\$8	10%
	Labor Relations	\$60	53%	\$41	23%	\$24	31%
	Employee Absence Management	\$27	24%	\$68	39%	\$18	23%
	Annual Risk Management Cost	\$112		\$176		\$78	
Item 43	<u>Employee Absence Management Cost Per Employee</u>	Metro		Average		1st Quartile	
	Labor Cost Per Employee	\$13	48%	\$50	74%	\$18	100%
	Outsourcing Cost Per Employee	\$14	52%	\$18	26%	\$0	0%
	Process Cost Per Employee	\$27		\$68		\$18	
Item 44	<u>Injury Claims Filed Per Thousand Employees</u>	Metro		Average		1st Quartile	
		40		32		8	
	-- See report Benchmark 4 for discussion.						
Item 45	<u>Percent Of Work Days Lost to Absence</u>	Metro		Average		1st Quartile	
		2%		4%		2%	
Item 46	<u>Labor Relations Cost Per Employee</u>	Metro		Average		1st Quartile	
	Labor Cost Per Employee	\$60	100%	\$39	95%	\$23	96%
	Outsourcing Cost Per Employee	\$0	0%	\$2	5%	\$1	4%
	Process Cost Per Employee	\$60		\$41		\$24	
	-- Metro's Labor Relations costs may be relatively high because Metro's Labor Relations function manages six collective bargaining agreements in a relatively small organization.						
Item 47	<u>Number Of Bargaining Units Per Thousand Employees</u>	Metro		Average		1st Quartile	
		3.3		1.8		0.6	

Item 48	<u>Annual Employee Development Cost Per Employee</u>	Metro		Average		1st Quartile	
	Employee Relations	\$52	31%	\$91	22%	\$51	26%
	Training & Development	\$39	23%	\$175	43%	\$80	40%
	Employee Selection	\$50	30%	\$111	27%	\$52	26%
	Termination/Retirement Mgmt.	\$26	16%	\$29	7%	\$16	8%
	Total Employee Development Cost	\$167		\$406		\$199	
Item 49	<u>Employee Selection Cost Per Employee</u>	Metro		Average		1st Quartile	
	Labor Cost Per Employee	\$38	76%	\$79	71%	\$43	83%
	Outsourcing Cost Per Employee	\$12	24%	\$32	29%	\$9	17%
	Process Cost Per Employee	\$50		\$111		\$52	
	-- See report Benchmark 3 for discussion.						
Item 50	<u>Number Of Placements Per Thousand Employees</u>	Metro		Average		1st Quartile	
		175		167		89	
	-- See report Benchmark 3 for discussion.						
Item 51	<u>Source Of Placements</u>	Metro		Average		1st Quartile	
	Internal Placements	47	27%	58	35%	35	39%
	External Placements	128	73%	109	65%	54	61%
	-- See report Benchmark 3 for discussion.						
Item 52	<u>Two Year Retention Rate</u>	Metro		Average		1st Quartile	
		89%		78%		89%	
	-- See report Benchmark 3 for discussion.						
Item 53	<u>Employee Relations Cost Per Employee</u>	Metro		Average		1st Quartile	
	Labor Cost Per Employee	\$52	100%	\$88	97%	\$50	98%
	Outsourcing Cost Per Employee	\$0	0%	\$3	3%	\$1	1%
	Process Cost Per Employee	\$52		\$91		\$51	
Item 54	<u>Employee Relations FTEs Per Thousand Employees</u>	Metro		Average		1st Quartile	
		0.6		1.2		0.8	
Item 55	<u>Number Of Employees Per HR Generalist</u>	Metro		Average		1st Quartile	
		1,107		476		562	
Item 56	<u>HR Generalist's Time Allocation</u>	Metro		Average			
	Routine HR Work	12%		21%			
	Employee Problems	12%		17%			
	Line Manager	21%		18%			
	Developing HR Plans	11%		9%			
	Facilitating	11%		8%			
	Crisis Relations	11%		8%			
	Employee Selection	16%		14%			
	Administrative Tasks	6%		6%			

Item	57	<u>Annual Decision Support Cost Per Employee</u>	Metro		Average		1st Quartile
		HR Function Management	\$18	30%	\$36	23%	\$23 26%
		Strategic HR Planning	\$7	12%	\$26	17%	\$12 14%
		Organization Planning	\$2	3%	\$29	18%	\$16 18%
		Resource Planning	\$6	10%	\$24	15%	\$12 14%
		Compensation Planning	\$17	28%	\$27	17%	\$16 18%
		Benefits Planning	\$10	17%	\$15	10%	\$8 10%
		Process Cost Per Employee	\$60		\$157		\$87

-- See report Benchmark 6 for discussion.

Item	58	<u>Decision Support Best Practice Utilization</u>	Metro	1st Quartile
		Integrated Strategic Planning	No	Yes
		Explicit Training Plans	No	Yes
		Resource Plans Identify Scarce Sets Of Skills	No	Yes

Response to the Report

MEMORANDUM



METRO

July 7, 1999

TO: Alexis Dow, CPA, Metro Auditor

FROM: Mike Burton, Executive Officer

Mike Burton

SUBJECT: Response to HR Benchmarks and Opportunities

Thank you for the opportunity to respond to the HR Benchmarks and Opportunities Report. You and your staff have compiled a significant amount of information which will help Metro deliver services more effectively in the future.

For the most part, I concur with your recommendations. It should be noted that some of the timetables for implementing improvements will take longer than desirable. Our reasons include the fact that Metro will have a new HR Director in the fall of 1999 who will need time to assess and assimilate the information you've provided. Another reason is that some recommendations will require a change in the culture at Metro and how departments see the role of HR. This effort will be successful if the change is incremental and is fully accepted by all constituencies.

RECOMMENDATION RESPONSES

1. Evaluate reasons for and alternatives to Metro's large number of job grades and titles. This process should include identifying ways to incorporate the large number of current positions under fewer titles and grades. We suggest working with Metro's unions on the issue, emphasizing benefits of improved efficiencies and effectiveness through streamlined processes. We also recommend working with unions to establish longer-term collective bargaining agreements.

Agreement with Recommendation: I agree in part and disagree in part. I agree that the high numbers of job titles and grades at Metro are a product of multiple collective bargaining units, two distinct entities (Metro and MERC) and the specialization of the work being done in various departments. I disagree that multiple job titles and grades are impacted by fewer or more years in a collective bargaining agreement. Multiple job titles and grades are more a product of the

diverse nature of the functions performed by Metro/MERC employees and meeting the legitimate, changing business requirements within Metro and MERC. In other words, they are primarily driven by HR's internal customers, Metro/MERC departments and facilities.

Proposed Action Plan: HR will embark on a program of reviewing the classification structure at Metro and MERC with the aim of eliminating obsolete, unused classifications and reducing the number of job titles and grades by combining like classifications where possible. This effort will be continuous and ongoing. It should be noted that Metro just finished negotiating successor agreements with its two largest unions resulting in a 3-year agreement with AFSCME 3580 and a 4-year agreement with LIU 483.

2. Establish an internal HR improvement team to periodically evaluate HR department performance, effectiveness and opportunities for improvements.

Agreement with Recommendation: I agree.

Proposed Action Plan: Within FY 1999-00 an internal HR improvement team will be established and the services of an HR consultant will be considered to help with the team process and identify steps Metro can take which will lead to improvements. Areas the team will address include: whether enhanced HR systems applications are cost effective, outsourcing HR functions, curtailing or eliminating certain administrative activities, whether the HR function has sufficient resources to fully meet its responsibilities and reducing turnover in HR.

3. Identify and evaluate options that would reduce the HR Department administrative burden. Such options may include, among others, outsourcing, increasing the use of technology and changing staff mix.

Agreement with Recommendation: I agree for the most part. However, the recommendation seems to imply that HR professionals perform employee record updates and acknowledging job applications received. HR clerical staff perform this important body of work, not HR professionals.

Proposed Action Plan: Using the HR improvement team as a resource, we will explore expanding the use of PeopleSoft capabilities, the Internet and the IntraMet. Using a benefit-cost process we will look at acquiring additional resources to enhance the existing systems (i.e., employee self service, decentralized data entry, on-line job applications, etc.) which may allow for a change in staff mix. Once the IntraMet is fully operational, we will use it to provide information so that Metro staff can get more timely information and have instant access to HR and Benefit information. This may reduce the time HR and Benefit support staff and professionals spend generating redundant information as questions are asked.

4. Emphasize the HR Department as a strategic partner in areas such as organizational structure, staff development and team development.

Agreement with Recommendation: I agree.

Proposed Action Plan: The performance plan for the new HR Director will include the following:

1. By September of 2000

- Using the HR staff and the improvement team as a resource, develop an HR strategic plan for Metro including identification of HR core functions and the resources necessary to accomplish each element of the plan;
- Gain agreement from Metro's Executive Officer, Chief Operating Officer, and Cabinet on the elements of the plan and the resources needed;
- Budget needed resources in affordable increments for 2001-02, 2002-03 and 2003-04; and
- Evaluate and report progress annually

2. HR will continue to work with the Chief Operating Officer and Department Directors to identify staff development needs, design and develop ways to meet those needs, measure and report improvement. Team development may be one of the needs identified.



Metro Auditor Report Evaluation Form

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Please rate the following elements of this report by checking the appropriate box.

	Too Little	Just Right	Too Much
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Suggestions for our report format: _____

Suggestions for future studies: _____

Other comments, ideas, thoughts: _____

Name (optional): _____

Thanks for taking the time to help us.

Fax: 797-1831

Mail: Metro Auditor, 600 NE Grand Avenue, Portland, OR 97232-2736

Call: Alexis Dow, CPA, Metro Auditor, 797-1891

Email: dowa@metro.dst.or.us